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February 8, 2002

Ms. Laura Doll
Chief Executive Officer
California Consumer Power and Conservation Financing Authority
901 P Street, Suite 142A
Sacramento, CA 95814

Re: Draft Energy Resources Investment Plan

Dear Ms. Doll:

I am writing on behalf of Minnesota Methane to provide comments on the California Consumer Power and Conservation Financing Authority's (CPA) draft Energy Resource Investment Plan (Plan). Minnesota Methane owns and operates seven electrical generation facilities at solid waste landfills found throughout California. The landfill gas used as the fuel at these facilities would otherwise be burned in flares if it were not used to produce electricity.

Minnesota Methane applauds the Plan's focus on renewable energy. We are especially appreciative of the CPA's acknowledgment of the additional social benefits provided by landfill gas operations. Our comments are specific to the Plan's treatment of landfill gas issues and the CPA's understanding of the status of existing landfill gas facility contracts.

Specifically, the Plan expresses the CPA's position that most existing grid-connected renewable projects have long-term qualifying facility (QF) contracts with the investor-owned utilities (IOUs) at about 7.8 cents/KWh. The plan notes that about 200 MW of existing solid fuel biomass projects without IOU contracts are on the verge of being shutdown because they are uneconomic at today's spot prices of 3-4 cents/KWh. The CPA notes that a loss of these existing projects would be a direct contradiction to California's policy supporting renewable energy development, and would have direct and significant environmental impacts to our state.

The Plan also correctly notes that in the absence of these projects, agricultural and wood waste would either be disposed of in California's already-limited landfill space or openly burned in areas of air quality non-attainment. Absent a regulated electric generation industry, there is no market mechanism for valuing these societal benefits. As a consequence, the cost to society of these

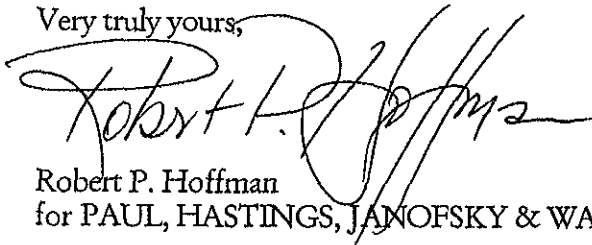
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facilities is actually higher when they don't operate. The Authority can play a significant role in ending the boom-and-bust history of these valuable renewable generation resources, either through the low-cost financing of projects, or by acting in the role of an aggregator for sales to the Department of Water Resources, the IOUs, or other markets. If a permanent market or publicly-funded mechanism is not found which rewards these projects for their public good as well as their electricity product, California will move one step backward in trying to attain the Governor's renewable generation goal for 2006.

Minnesota Methane wishes to clarify for the CPA that these same factors and considerations apply to its landfill gas projects. Some landfill gas facilities are in a similar position to the biomass facilities described in the Plan, while others are operating under expiring or extremely short-term contracts with the IOUs. Minnesota Methane's facilities, in particular, are operating under short-term contracts at prices that clearly threaten the economic viability of their long-term operations.

Minnesota Methane requests that the Plan be amended to reflect this category of landfill gas facilities and that the CPA facilitate longer-term power purchase agreements with bona fide purchasers to ensure their continued operation.

Very truly yours,



Robert P. Hoffman
for PAUL, HASTINGS, JANOFSKY & WALKER LLP

RPH/jlc

cc: CPA Board of Directors
B.B. Blevins
Thomas Flynn
Tony Wetzel